

AMENDED IN SENATE APRIL 9, 2003

**SENATE BILL**

**No. 618**

**Introduced by Senator Scott**

February 20, 2003

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An act to add Section 1668.1 to the Insurance Code, relating to unfair acts.

LEGISLATIVE COUNSEL'S DIGEST

SB 618, as amended, Scott. Insurance: unfair acts: licenses.

Unless otherwise exempt, existing law prohibits a person from soliciting, negotiating, or effecting contracts of insurance, or acting in the capacity of various types of insurance agents, unless the person holds a valid license from the Insurance Commissioner authorizing the person to act in that capacity. Existing law authorizes the commissioner to deny an application for a license for various reasons.

This bill would, in addition, authorize the commissioner to suspend or revoke any permanent license issued if the licensee induces the client to make a loan or gift to or investment with the licensee, or to otherwise act in other specified ways that benefit the licensee or other people acquainted or related to the licensee.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1668.1 is added to the Insurance Code,  
2 to read:

1 1668.1. In addition to the grounds set forth in Section 1668,  
2 the following acts shall constitute cause to suspend or revoke any  
3 permanent license issued pursuant to this chapter:

4 (a) The licensee has induced a client, whether directly or  
5 indirectly, to cosign or make a loan, make an investment, make a  
6 gift, including a testamentary gift, or provide any future benefit  
7 through a right of survivorship to the licensee, or to any of the  
8 persons listed in subdivision (e).

9 (b) The licensee has induced a client, whether directly or  
10 indirectly, to make the licensee or any of the persons listed in  
11 subdivision (e) a beneficiary under the terms of any intervivos or  
12 testamentary trust or the owner or beneficiary of a life insurance  
13 policy or an annuity policy.

14 (c) The licensee has induced a client, whether directly or  
15 indirectly, to make the licensee, or a person who is registered as a  
16 domestic partner of the licensee, or is related to the licensee by  
17 birth, marriage, or adoption, a trustee under the terms of any  
18 intervivos or testamentary trust. *However, if the licensee is also*  
19 *licensed as an attorney in any state, the licensee may be made a*  
20 *trustee under the terms of any intervivos or testamentary trust,*  
21 *provided that the licensee is not a seller of insurance to the trustor*  
22 *of the trust.*

23 (d) The licensee, who has a power of attorney for a client has  
24 sold to the client or has used the power of attorney to purchase an  
25 insurance product on behalf of the client for which the licensee has  
26 received a commission.

27 (e) Subdivisions (a) and (b) shall also apply if the licensee  
28 induces the client to provide the benefits in those subdivisions to  
29 the following people:

30 (1) A person who is related to the licensee by birth, marriage,  
31 or adoption.

32 (2) A person who is a friend or business acquaintance of the  
33 licensee.

34 (3) A person who is registered as a domestic partner of the  
35 licensee.

36 (f) This section shall not apply to situations in which the client  
37 is:

38 (1) A person related to the licensee by birth, marriage, or  
39 adoption.

1     (2) A person who is registered as a domestic partner of the  
2     licensee.

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